**Borrowing Money**

**Directions: Solve the following problems. Show your work.**

1. You want to buy a 42” screen television for your parents for Christmas. The retail price is $1,250. The salesperson is trying to persuade you that it would be easier to open a credit line through his store so that you could use your cash for things you need now. The interest rate is 7.5%, and you can have two years to pay it off. What is the read cost of the television?  
   $1,250 x .75 = $937.50  
   $937 + $1,250 = $2,187.50

The real cost of the television is $2,187.50

1. You are planning to purchase your first new car. The cost of the car is $18,430. You will put a down payment of $2,000 on your purchase, and choose a financing plan for five years with an interest rate of 4.5%. What is the read cost of the car?  
   $18,230 x .45 = $8,203.50  
   $8,203.50 + 18,230 = $26,406.50  
   The real cost of the car is $26,406.50
2. You need to take a $5,000 loan from the bank. The interest rate is 7%. What amount will you be paying the bank back in the end?  
   $5,000 x .07 =$ 350  
   $5,000 + $350 = $5,350  
   The real amount you will pay at the end is $5,350